Strength, Dignity, Quality of Life

MISSOURI HOUSING
DEVELOPMENT COMMISSION

Five-Year Strategic Plan for Affordable Housing for the State of Missouri

Prepared for
Missouri Housing Development Commission
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EXECUTIVE SUMMARY

The Missouri Housing Development Commission (MHDC) contracted with the L.P. Cookingham Institute of Urban Affairs, Henry W. Bloch School of Management, University of Missouri-Kansas City to prepare this *5-Year Strategic Plan for Affordable Housing for the State of Missouri*.

Affordable Housing is a National Policy Issue

A lack of housing affordable for individuals and families at all levels of income has been a national public policy issue for decades. However, the lack of affordable housing has become severe in many communities in recent years, particularly for those whose incomes are at or below 30% of Area Median Income (AMI). The U.S. Department of Housing and Urban Development (HUD) determines AMIs for Metropolitan Statistical Areas (MSAs) and non-metropolitan regions throughout the country each year. Households with incomes at or below 30% AMI are considered Extremely Low Income (ELI).

Members of the ELI group are often members of the workforce, including people employed in education, child care, health care, food service, retail, delivery drivers, and other necessary occupations. Other members of the ELI group may be seniors, veterans, or members of special needs and vulnerable populations such as persons with disabilities, victims of domestic violence, and others.

Federal Housing Policy Tools

Congress first introduced housing policy tools designed to address the nation's need for affordable housing during the Great Depression. Innovations such as federal mortgage insurance (Federal Housing Administration or FHA) helped homeowners stay in their homes during trying economic times. Later, federal mortgage insurance programs (including Veterans Administration loans which began with the GI Bill of 1944) helped millions of Americans buy

homes. FHA and Veterans Administration (VA) mortgage insurance programs continue to this day.

Another innovation introduced during the Great Depression was public housing. Originally intended primarily as an economic stimulus for the construction industry, real estate industry concerns with public competition in private markets led to income restrictions being placed on public housing units.

The Housing Act of 1949 stated the goal of "a decent home and suitable living environment for every American family."[1] As a result, a number of federal housing programs were introduced between 1949 and 1973. After President Richard Nixon placed a moratorium on housing programs in 1973, federal housing policy evolved over time to primarily rely on three types of housing assistance for low-income renters: Housing Choice Vouchers (formerly known as Section 8 Voucher and Certificate Programs), the Low Income Housing Tax Credit (LIHTC), and the HOME Investment Partnership (HOME) block grant.

HOUSING CHOICE VOUCHERS

The Housing Choice Voucher program provides income-qualified households with a voucher they may use to rent privately owned housing units. While vouchers can be a powerful tool for making housing affordable for low-income households, federal funding is limited. In some instances, waiting lists for vouchers are so long that local authorities administering the program close them for periods of up to five years. Another potential limitation to the effectiveness of the voucher program is that it can be difficult to find a landlord willing to accept the voucher in some communities. Alternatively, situations may arise where a landlord is willing to accept the voucher, but the housing unit does not meet federal Housing Quality Standards (HQS). These limitations mean that most income-qualified households do not have access to the Housing Choice Voucher.

[1] Orlebeke, Charles J. "The Evolution of Low-Income Housing Policy, 1949 to 1999." *Housing Policy Debate* 11, no. 2 (2000): 489-520.

LOW INCOME HOUSING TAX CREDIT

The LIHTC is more than 30 years old, and over time it has become the centerpiece of U.S. affordable housing policy. The LIHTC provides a financial incentive through the U.S. Tax Code for private-sector affordable housing development. Congress required LIHTC developers to newly construct or acquire and substantially rehabilitate properties where a minimum of either 20% of units were restricted to households at 50% AMI or 40% of units were restricted to households at 60% AMI.[2] In 2018, Congress introduced a provision intended to foster greater income mixing in LIHTC developments by allowing tenant incomes up to 80% AMI, as long as the *average* tenant household income meets the 50% or 60% AMI requirements. Most LIHTC units throughout the country have income restrictions at 60% AMI.

Unlike earlier federal housing programs where rents were based on actual tenant incomes, LIHTC rents are based on area median income. Thus, if a unit has an income restriction of 60% AMI and the HUD-adjusted area median income is $60,000, the unit would rent for $900 per month.[3] This means that tenants with incomes below 60% AMI who rent this unit will be housing cost burdened. Despite the mismatch between many tenant household incomes and rent levels, the LIHTC has produced better-quality housing for many low-income households.[4]

HOME INVESTMENT PARTNERSHIP

Congress introduced the HOME program in the Cranston-Gonzalez National Housing Act of 1990. HOME was designed as a block grant to be administered by federal entitlement jurisdictions, including states. HOME funds may be used flexibly to support various types of affordable housing, including homeownership and rental opportunities for low-income

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[2] Williamson, Anne R., Marc T. Smith, and Marta Strambi-Kramer. "Housing Choice Vouchers, the Low-Income Housing Tax Credit, and the Federal Poverty Deconcentration Goal." *Urban Affairs Review* 45, no. 1 (2009): 119-32.

[3] Rent is calculated as 30% of gross monthly income where gross monthly income is 60% AMI, or ($60,000/12) x .60 x .30 = $900.

[4] Cummings, Jean L. and Denise DiPasquale. "The Low Income Housing Tax Credit: An Analysis of the First Ten Years." *Housing Policy Debate* 10, no. 2 (1999): 251-307.

households. Rental housing produced with HOME funds must have income restrictions no greater than 50% AMI. At the state level, HOME funds are allocated based on population outside of individual federal entitlement jurisdictions. Thus, the level of funding available for administration at the state level is limited.

ROLE OF THE STATES

The role of states in housing policy prior to the introduction of the LIHTC was typically confined to forming state housing finance agencies that issued federally authorized tax-exempt municipal bonds to provide homeowner mortgages at reduced interest rates. However, when Congress introduced the LIHTC as part of the Tax Reform Act of 1986, the role of state housing finance agencies grew.

The LIHTC was designed to devolve responsibility for program administration to the states. Each state was required to select a state housing credit agency when implementation began in 1987.[5] Most states selected state housing finance agencies already organized and operating for the purpose of providing home mortgages. In Missouri, the Missouri Housing Development Commission (MHDC) became the state housing credit agency.

State housing finance agencies typically administer only a portion of each state's HOME funds. Local jurisdictions designated federal entitlement communities by the federal Office of Management and Budget (OMB) administer HOME funds for their jurisdiction or metropolitan area, while states administer funds for the balance of the state.

Overall, federal housing policy since the 1980s has facilitated the emergence of state housing finance agencies as major sources of federal funds for affordable housing production. However, although federal funds now make it possible for states to set their own affordable housing priorities within federal requirements and guidelines, the federal housing policy tools

[5] Illinois is the sole exception to this rule. The City of Chicago was successful in obtaining Congressional approval to have its own LIHTC allocation administered separately from the balance of the state.

administered by states were designed to meet affordable housing need for individuals and families with incomes in the 50% to 60% AMI range. Because the most urgent housing need in the U.S. is among renter households in the 30% AMI or below income range, there is a mismatch between the policy tools made available to states by the federal government and actual housing need.

Focus of this Plan

This Plan focuses on (1) analyzing Missouri's most critical affordable housing needs; and (2) presenting strategic priorities MHDC may consider for use in guiding action for the creation and preservation of affordable housing opportunities aligned with critical affordable housing needs in our state.

Housing Need in Missouri

The L.P. Cookingham Institute project team used both quantitative data and stakeholder input to identify and analyze Missouri's most critical housing needs.

QUANTITATIVE ANALYSIS

Data analysis revealed that the most critical housing need among Missourians is for rental units affordable to households at or below 30% AMI (e.g., members of the federal ELI group). For instance, the rate of severe housing cost burden—paying 50% or more of gross monthly income for housing—among ELI renters ranges from a low of 45.35% in the combined area represented by Lawrence, Henry, Vernon, Cedar, Barton, St. Clair, and Dade Counties to a high of 71.97% in the Springfield MSA.

Analyzing the number of rental units affordable and available to ELI households indicates a shortfall of nearly 128,000 units on a statewide basis. Expressed in terms of households compared with affordable and available units, there are 31 units affordable and available for

every 100 ELI households in Missouri. In other words, for 69 out of every 100 ELI households in Missouri there are no available affordable rental units.

STAKEHOLDER INPUT

A series of eight public dialogues on affordable housing need in Missouri were held to obtain stakeholder input during the preparation of this Plan.[6] Major themes cited by participants during these dialogues included:

- Concern with the current moratorium on the Missouri Low Income Housing Tax Credit
- Preservation and rehabilitation of existing affordable housing
- The impact of wage stagnation on housing affordability
- A need to be sensitive to rural-urban distinctions when designing efforts to address statewide affordable housing need
- The need to address public perceptions about affordable housing and NIMBYism[7]
- Housing Choice Voucher (HCV)[8] effectiveness
- Construction and land costs

STRATEGIC PRIORITIES

A series of five affordable housing strategic priorities were developed based on data analysis and stakeholder input. These recommended priorities are:

1. Engage in increased production and preservation of rental units affordable to ELI households.
2. Increase the focus on housing for special needs and vulnerable populations.

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[6] One of these meetings was held via webinar to facilitate participation by those unable to attend meetings in Kansas City or St. Louis.

[7] Not in My Back Yard (NIMBY) objections to affordable housing

[8] Formerly known as Section 8 Voucher and Certificates programs

3. Revise the Qualified Allocation Plan (QAP) scoring criteria to facilitate more production and preservation of affordable housing units in rural areas.
4. Work to link affordable housing production with economic development activities that bring jobs to Missouri.
5. Engage in effective implementation practices in support of achieving Missouri's affordable housing strategic priorities.

PURPOSE OF THIS PLAN

The *Five-Year Affordable Housing Strategic Plan for the State of Missouri* was prepared by the L.P. Cookingham Institute of Urban Affairs in the Henry W. Bloch School of Management at the University of Missouri-Kansas City under contract with the Missouri Housing Development Commission (MHDC). The intended purpose of this Plan is to provide a basis for informed action in addressing the need for affordable housing throughout the State of Missouri.

WHAT IS AFFORDABLE HOUSING?

The term "affordable housing" has been in common use since the 1980s, yet it is seldom defined. Federal guidelines indicate that households can afford up to 30% of gross monthly income for housing costs. For renters, housing costs are calculated as rent plus utilities such as electric, gas, and water. For homeowners, housing costs are mortgage payment (principal, interest, homeowners' insurance, property taxes, mortgage insurance premiums, and homeowner association fees, if any) plus utilities.[9]

HOUSING COST BURDEN

Households paying more than 30% of gross monthly income are considered **cost burdened**. Households paying more than 50% of gross monthly income are termed **severely cost burdened**. These categories are often used to analyze housing need within geographic boundaries such as local jurisdictions, states, or the nation.

[9] Williamson, Anne R. "Can They Afford the Rent? Resident Cost Burden in Low Income Housing Tax Credit Developments." *Urban Affairs Review* 47, no. 6 (2011): 775-99.

NATIONAL SHORTAGE OF AFFORDABLE HOUSING

Affordable housing is also often used to refer to publicly subsidized housing developments. While the need for housing affordability has been recognized for decades, most income-qualified households do not live in affordable housing, subsidized housing, or have other forms of housing assistance due to an insufficient supply.[10] Further, a lack of affordable housing has reached crisis proportions in some areas of the U.S., leading to record numbers of homeless individuals and families.

AFFORDABLE HOUSING AND MISSOURI

This Plan focuses on Missouri's most urgent housing needs. As in other states throughout the country, our state's greatest housing needs are among renters, particularly those with incomes at or below 30% of Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD) each year. The federal term for this group is Extremely Low Income (ELI), and it includes large numbers of working people, seniors, veterans, persons with disabilities, and members of other special needs or vulnerable groups.

EVERY STATE FACES AFFORDABLE HOUSING CHALLENGES

Every state faces challenges in meeting the rental housing needs of their ELI residents. These challenges primarily are based on several factors:

1. The federal Low Income Housing Tax Credit (LIHTC) is the primary means through which affordable housing is constructed and preserved. Congress designed LIHTC to stimulate the supply of housing affordable to households with incomes at 50%-60% AMI. Thus, LIHTC properties seldom have units ELI households can afford.

[10] Olsen, Edgar O. "Housing Programs for Low-Income Households." In *Means-Tested Transfer Programs in the United States*, edited by Robert A. Moffitt. Chicago: University of Chicago Press, 2003.

2. The federal programs designed to make rent affordable to ELI households are the Housing Choice Voucher (HCV, formerly known as the Section 8 Voucher and Certificate Programs) and public housing. Waiting lists are typically very long for the HCV, and in some areas, waiting lists are closed for up to five years at a time. Public housing waiting lists can also be long.
3. Private market rents have tended to rise more rapidly than wages over the last 30 years. This means that more people tend to experience housing affordability problems, particularly among lower-wage and fixed-income groups.

AFFORDABLE HOUSING'S ROLE IN MISSOURI'S ECONOMY

Families and individuals who can afford their housing have more money to spend on goods and services. The impact of each household dollar spent is multiplied, because the purchase of goods and services stimulates job creation. Further, new construction and rehabilitation of existing rental properties create jobs. Those employed in construction and other development-related jobs also spend money in the economy, stimulating yet more job creation. Thus, affordable housing production is an economic stimulus.

In addition, businesses making location decisions often analyze the supply of housing that will be available to workers at a proposed site. Most businesses require workers at various wage levels. Ensuring that an adequate supply of housing is available for workers at lower wage levels can be part of an overall economic development strategy for our state.

FEDERAL HOUSING POLICY OVERVIEW

LOW INCOME HOUSING TAX CREDIT

Federal housing policy in the 21st century primarily relies on two policy tools for making housing opportunities available to low-income households.[11] The Low Income Housing Tax Credit (LIHTC) is a supply-side tool that provides a financial incentive for the private sector to construct or acquire and substantially rehabilitate affordable rental units. Introduced as a provision of the U.S. tax code in the Tax Reform Act of 1986, Congress required that LIHTC properties meet one of two income restrictions for most of its history: Property owners could either set aside a minimum of 20% of units for households with incomes no greater than 50% of Area Median Income (AMI), or they could set aside a minimum of 40% of units for households with incomes no greater than 60% AMI.[12] Only those units with the required income restrictions were eligible for the LIHTC. Thus, the majority of LIHTC properties funded since program implementation began in 1987 have typically included income restrictions on all units.[13] Further, most developers have historically chosen to meet the 60% AMI income restriction rather than the 50% AMI restriction over time.

Congress introduced a third means to qualify for the LIHTC through the 2018 Consolidated Appropriations Act (Public Law 115-141). Under this provision, property owners may average

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[11] Williamson, Anne R., Marc T. Smith, and Marta Strambi-Kramer. "Housing Choice Vouchers, the Low-Income Housing Tax Credit, and the Federal Poverty Deconcentration Goal." *Urban Affairs Review* 45, no. 1 (2009): 119-32.

[12] The Area Median Income used in administering the LIHTC is calculated annually by the U.S. Department of Housing and Urban Development (HUD). Unless otherwise noted, the HUD AMI figures refer to incomes adjusted for a household of four persons.

[13] Some LIHTC developments have included market-rate units over the years. The mixed-income strategy of including some market rate units within a subsidized property is often only financially feasible in certain urban housing markets.

the income of tenants to determine whether the income restriction requirement has been satisfied. However, no tenant may have a household income of greater than 80% AMI.[14]

There are two types of federal LIHTCs. One version is known as the 9% credit; it may be used to cover up to 70% of a project's costs, excluding land. The second type is the 4% credit; this credit may be used to cover up to 30% of a project's costs, excluding land. It is important to understand that the 9% credit is a shallow subsidy, and the financial feasibility of LIHTC developments may vary based on location, income restrictions, and other factors.[15] The 4% credits are a very shallow subsidy, and any limitations of financial feasibility associated with the 9% credit are amplified for developments in which 4% credits are a funding source.

At the federal level, the LIHTC is the responsibility of the Internal Revenue Service (IRS), but actual administration of the LIHTC is devolved upon the states. States receive an annual allocation of tax credits based on population.[16] States are required to use competitive criteria for awarding 9% credits. The non-competitive 4% credits are not capped as to amount authorized, and they are often used with tax-exempt municipal bonds.

Congress required each state to designate a single housing credit agency when LIHTC implementation began in 1987. Illinois is the sole exception to this rule. Congress granted the City of Chicago its own federal tax credit allocation when the LIHTC was introduced, and this provision remains in place.[17] Most states designated their existing housing finance organization as their housing credit agency.

Each state housing agency must publish a Qualified Allocation Plan (QAP) for the purpose of establishing the competitive criteria to be used in awarding LIHTC funds. Competitive criteria are typically based on a scoring system intended to encourage developments consistent with

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[14] Congressional Research Service, *An Introduction to the Low Income Housing Tax Credit*, Washington, DC, February 27, 2019.

[15] Williamson, et al., ibid.

[16] Small states receive a minimum allocation of slightly more than $3 million.

[17] Solem, James J. "Housing Provisions of the 1986 Tax Reform Act: Can the States Make Them Work?" *National Tax Journal* 40, no. 3 (1987): 419-29.

each state's housing policy priorities. Further, some states incorporate criteria for award of other types of funding in their QAPs. QAPs are most often published annually, although some states use a bi-annual schedule.[18]

Housing Choice Vouchers

The Housing Choice Voucher (HCV; formerly known as Section 8 Voucher and Certificate Programs) is a demand-side subsidy that provides income-qualified tenants with a voucher that may be used to rent a housing unit in the private market. Introduced as a policy experiment in the mid-1970s, the program is limited to households with incomes no greater than 50% AMI.

While the HCV is a powerful tool for making rental housing affordable to low-income tenants, Congress has reduced annual appropriations for this program over the years. Waiting lists are typically long, and in some communities, waiting lists are closed for periods of up to five years. Thus, there is no assurance that an income-qualified household will ever receive a voucher.

Households with a voucher must secure a housing unit meeting HUD Housing Quality Standards (HQS) within 90 days; otherwise, the household loses the voucher. IRS Code Section 42 requires LIHTC properties to accept vouchers, but property owners are not required to accept voucher tenants whose credit history or other background fails to meet their tenant selection criteria. Many private-sector landlords do not accept vouchers. Thus, being awarded a voucher is not a guarantee that the household will be able to obtain housing and benefit from the subsidy.

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[18] Florida's QAP is an exception, in that scoring criteria are not a part of the QAP. Instead, the QAP is rarely updated, and scoring criteria are contained in each year's application packages for LIHTC and other state-administered funding for housing.

Other Federal Housing Programs

PUBLIC HOUSING

Many federal housing programs have been introduced since the Great Depression, although many have been eliminated or are very thinly funded. The most well-known of these programs is public housing. Originally intended to stimulate jobs in the construction industry while providing housing for families experiencing temporary challenges with affordability, public housing in the U.S. was never sufficiently funded to meet goals set forth by Congress in legislation such as the Housing Act of 1949. Pressures for low-cost housing production translated into the construction of many properties that experienced distress over the years. Unfortunately, these distressed properties—often high-rise towers not representative of the majority of public housing units in the U.S.—became the face of public housing.

Public housing is HUD's responsibility at the federal level. Public housing is administered at the local level by public housing authorities (PHAs). Despite the challenge of providing housing for the lowest-income tenants with modest levels of federal funding, most of the public housing stock in America continues to provide decent housing for seniors, families, and persons with disabilities. Today, most public housing tenants have incomes at or below the poverty level. Thus, public housing is an important safety net for its residents.

HOME INVESTMENT PARTNERSHIP

Congress introduced the HOME Investment Partnership (HOME) program as part of the Cranston-Gonzalez National Affordable Housing Act of 1990 (Public Law 101-625). HOME is a federal block grant program and can be used flexibly to support an array of activities serving households with incomes at or below 50% AMI. States and federally designated entitlement communities[19] receive funds through Congressional appropriations made with a population-

[19] Federal entitlement community status is determined by the Office of Management and Budget (OMB). Most federal entitlement communities have populations of at least 50,000 persons, although there are some exceptions.

based formula. HOME funds may be used for activities that support home ownership as well as rental housing.

SECTION 202 ELDERLY HOUSING

The Section 202 program was introduced in the Housing Act of 1959. It has produced affordable housing opportunities for hundreds of thousands of seniors since Congress authorized it. Residents must be 62 years of age or older and have incomes at or below 50% AMI. Many of these units have rental assistance subsidies that allow seniors to pay no more than 30% of their gross monthly income for housing costs. Section 202 appropriations have severely declined over time, and relatively few new developments are funded each year.

SECTION 811SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES

Section 811 is a federally supported program that provides rental subsidies, as well as funding for the development of affordable housing. The program is intended to serve ELI households that include a person with a disability.

NATIONAL HOUSING TRUST FUND

The Housing Trust Fund (HTF) was created through the Housing and Economic Recovery Act of 2008. It is an affordable housing production program intended to complement existing efforts to increase and preserve the supply of affordable housing for ELI households. HTF funds may be used for production or preservation of affordable housing through acquisition, new construction, or rehabilitation.

RURAL DEVELOPMENT

The U.S. Department of Agriculture's (USDA's) Rural Development housing programs (Sections 515 and 516) were originally administered by the Farmers' Home Administration (FmHA). These programs provide affordable rental housing (Section 515) in rural areas, including some project-based rental assistance (Section 516). The Section 516 rental assistance program makes

available subsidies that allow tenants to pay no more than 30% of their gross monthly income for housing.

TAX-EXEMPT MUNICIPAL BONDS

The federal government provides each state with a certain amount of tax-exempt municipal bond authority each year using a population-based formula. Those who purchase these bonds do not pay federal income taxes on interest earned. This tends to reduce the interest rate associated with these bonds, thereby lowering financing costs. Tax-exempt municipal bonds are often combined with the non-competitive 4% LIHTC for new construction as well as rehabilitation of existing properties.

OTHER PROGRAMS

Several other federal programs continue to provide rental housing opportunities for low-income households, although the programs themselves have been eliminated. This includes properties originally funded by the Section 8 New Construction and Rehabilitation program, Section 236, and others. Primarily built in the 1960s and 1970s, these properties are often in need of substantial rehabilitation if they are to continue to provide decent housing opportunities for low-income tenants. Some of these properties have project-based rental assistance that allows tenants to pay no more than 30% of gross monthly income for housing.

AFFORDABLE HOUSING PRESERVATION

The LIHTC is often used to acquire and substantially rehabilitate properties originally funded by older federal housing programs. Acquisition and substantial rehabilitation with LIHTC and/or other subsidies can benefit communities by preserving affordable housing critical to the local economy and the wellbeing of residents in these properties. There is also a need to preserve the affordability of older LIHTC properties at risk of conversion to market rate; this may happen as early as 15 years following initial LIHTC funding. Other housing subsidies such as tax-exempt municipal bonds and/or HOME may also be used to preserve affordable housing units.

HOUSING PROGRAMS ADMINISTERED BY MHDC

The Missouri Housing Development Commission (MHDC) is the State of Missouri's housing finance agency. It was created by the General Assembly in 1969 and includes the Governor, Lieutenant Governor, State Treasurer, Attorney General, and six persons appointed by the Governor with the advice and consent of the Senate.

MHDC administers several federal programs, including the LIHTC, HOME, and Emergency Solutions Grant (ESG). In addition, MHDC administers the Missouri LIHTC, Affordable Housing Assistance Program Tax Credit (AHAP), and several home ownership programs. No state housing tax credit allocations (MOLIHTC) have been made since 2017.

MISSOURI'S MOST URGENT AFFORDABLE HOUSING NEEDS

The most urgent unmet housing needs in the U.S. are among ELI households, and Missouri is no exception. These households include members of the workforce and their families, seniors, veterans, special needs, and vulnerable populations. The special needs group includes persons who are (a) physically, emotionally or mentally impaired or being treated for, or have a diagnosis or a history of mental illness; or (b) have a developmental disability. A vulnerable person is someone who (a) is homeless, as defined by HUD, including survivors of domestic violence and human or sex trafficking; or (b) a youth transitioning out of foster care.

SEVERE HOUSING COST BURDEN

Severe housing cost burden is a strong indicator of unmet affordable housing need, because these households have little left over for other life necessities such as food, transportation, child care, and health care once housing costs have been paid. Severely cost burdened households also face a higher likelihood that they will fall into homelessness due to lack of adequate financial resources.

SEVERE HOUSING COST BURDEN AMONG MISSOURI RENTER HOUSEHOLDS

Table 1 provides information on severe housing cost burden among Missouri renters.

Table 1. Renter Households With Severe Cost Burden, 2017

County	Total Households	Renter Households	Renter Households w/ 50% or more CB	% of All Households	% of All Renter Households
Adair	9,595	3,905	1,297	13.5%	33.2%
Andrew	6,874	1,556	156	2.3%	10.0%
Atchison	2,492	731	82	3.3%	11.2%
Audrain	9,457	3,021	363	3.8%	12.0%
Barry	13,091	3,343	777	5.9%	23.2%
Barton	4,939	1,521	219	4.4%	14.4%
Bates	6,704	1,765	250	3.7%	14.2%
Benton	7,982	1,487	415	5.2%	27.9%
Bollinger	4,805	933	144	3.0%	15.4%
Boone	68,898	31,156	8,468	12.3%	27.2%
Buchanan	33,304	12,258	2,457	7.4%	20.0%
Butler	16,550	6,071	1,130	6.8%	18.6%
Caldwell	3,741	931	189	5.1%	20.3%
Callaway	16,105	4,542	868	5.4%	19.1%
Camden	16,340	3,306	627	3.8%	19.0%
Cape Girardeau	29,613	10,260	2,182	7.4%	21.3%
Carroll	3,618	955	125	3.5%	13.1%
Carter	2,403	657	112	4.7%	17.0%
Cass	38,706	9,494	1,590	4.1%	16.7%
Cedar	5,879	1,742	313	5.3%	18.0%
Chariton	2,842	656	120	4.2%	18.3%
Christian	30,774	7,975	1,178	3.8%	14.8%
Clark	2,907	724	36	1.2%	5.0%
Clay	89,709	27,742	4,779	5.3%	17.2%
Clinton	8,185	2,038	302	3.7%	14.8%
Cole	29,642	9,735	1,555	5.2%	16.0%
Cooper	6,410	1,843	289	4.5%	15.7%
Crawford	9,286	2,646	538	5.8%	20.3%
Dade	3,107	663	112	3.6%	16.9%
Dallas	6,156	1,650	225	3.7%	13.6%
Daviess	3,083	657	79	2.6%	12.0%

County	Total Households	Renter Households	Renter Households w/ 50% or more CB	% of All Households	% of All Renter Households
DeKalb	3,854	1,292	222	5.8%	17.2%
Dent	6,087	1,808	274	4.5%	15.2%
Douglas	5,173	1,209	249	4.8%	20.6%
Dunklin	12,760	4,689	974	7.6%	20.8%
Franklin	40,612	10,538	1,599	3.9%	15.2%
Gasconade	6,135	1,446	263	4.3%	18.2%
Gentry	2,662	733	52	2.0%	7.1%
Greene	119,989	50,275	12,268	10.2%	24.4%
Grundy	4,018	1,312	282	7.0%	21.5%
Harrison	3,528	953	130	3.7%	13.6%
Henry	9,294	2,482	353	3.8%	14.2%
Hickory	3,983	716	126	3.2%	17.6%
Holt	2,111	600	55	2.6%	9.2%
Howard	3,713	896	98	2.6%	10.9%
Howell	16,204	4,996	949	5.9%	19.0%
Iron	4,062	1,131	188	4.6%	16.6%
Jackson	280,174	115,623	25,984	9.3%	22.5%
Jasper	46,009	16,302	3,247	7.1%	19.9%
Jefferson	83,744	16,844	3,342	4.0%	19.8%
Johnson	19,918	8,011	1,933	9.7%	24.1%
Knox	1,602	337	34	2.1%	10.1%
Laclede	13,825	4,475	1,153	8.3%	25.8%
Lafayette	13,224	3,580	599	4.5%	16.7%
Lawrence	14,636	4,285	623	4.3%	14.5%
Lewis	3,754	1,019	110	2.9%	10.8%
Lincoln	18,698	4,294	1,004	5.4%	23.4%
Linn	4,997	1,347	198	4.0%	14.7%
Livingston	5,813	1,930	288	5.0%	14.9%
McDonald	8,137	2,384	278	3.4%	11.7%
Macon	6,023	1,557	143	2.4%	9.2%
Madison	4,867	1,403	301	6.2%	21.5%

County	Total Households	Renter Households	Renter Households w/ 50% or more CB	% of All Households	% of All Renter Households
Maries	3,667	989	149	4.1%	15.1%
Marion	11,311	4,072	606	5.4%	14.9%
Mercer	1,390	334	31	2.2%	9.3%
Miller	9,514	2,398	325	3.4%	13.6%
Mississippi	5,128	2,022	400	7.8%	19.8%
Moniteau	5,373	1,248	114	2.1%	9.1%
Monroe	3,615	924	117	3.2%	12.7%
Montgomery	4,844	1,349	270	5.6%	20.0%
Morgan	7,774	1,915	391	5.0%	20.4%
New Madrid	7,309	2,736	507	6.9%	18.5%
Newton	22,151	6,284	873	3.9%	13.9%
Nodaway	8,493	3,732	743	8.7%	19.9%
Oregon	4,375	994	233	5.3%	23.4%
Osage	5,108	891	93	1.8%	10.4%
Ozark	4,075	882	148	3.6%	16.8%
Pemiscot	6,875	3,244	641	9.3%	19.8%
Perry	7,529	1,771	234	3.1%	13.2%
Pettis	16,031	5,251	992	6.2%	18.9%
Phelps	17,330	6,783	1,557	9.0%	23.0%
Pike	6,741	1,937	271	4.0%	14.0%
Platte	38,147	13,277	2,161	5.7%	16.3%
Polk	11,717	3,911	729	6.2%	18.6%
Pulaski	15,375	7,971	1,109	7.2%	13.9%
Putnam	1,956	533	66	3.4%	12.4%
Ralls	3,994	705	133	3.3%	18.9%
Randolph	8,348	2,050	548	6.6%	26.7%
Ray	8,684	1,954	369	4.2%	18.9%
Reynolds	2,628	566	117	4.5%	20.7%
Ripley	5,397	1,254	194	3.6%	15.5%
St. Charles	142,554	28,281	4,555	3.2%	16.1%
St. Clair	4,135	1,024	119	2.9%	11.6%

County	Total Households	Renter Households	Renter Households w/ 50% or more CB	% of All Households	% of All Renter Households
Ste. Genevieve	7,185	1,641	301	4.2%	18.3%
St. Francois	24,661	7,740	1,615	6.5%	20.9%
St. Louis	402,307	122,540	26,338	6.5%	21.5%
Saline	8,754	2,748	448	5.1%	16.3%
Schuyler	1,669	461	80	4.8%	17.4%
Scotland	1,870	534	93	5.0%	17.4%
Scott	15,241	4,744	960	6.3%	20.2%
Shannon	3,158	894	115	3.6%	12.9%
Shelby	2,446	640	25	1.0%	3.9%
Stoddard	11,773	3,615	466	4.0%	12.9%
Stone	12,880	2,578	514	4.0%	19.9%
Sullivan	2,283	597	93	4.1%	15.6%
Taney	22,142	8,965	1,666	7.5%	18.6%
Texas	9,303	2,412	571	6.1%	23.7%
Vernon	8,170	2,590	583	7.1%	22.5%
Warren	12,032	2,437	562	4.7%	23.1%
Washington	9,048	1,640	340	3.8%	20.7%
Wayne	5,482	1,278	276	5.0%	21.6%
Webster	13,311	3,627	547	4.1%	15.1%
Worth	888	217	17	1.9%	7.8%
Wright	7,488	2,377	423	5.6%	17.8%

Data source: Census American Community Survey 2013-2017 5-Year Estimates

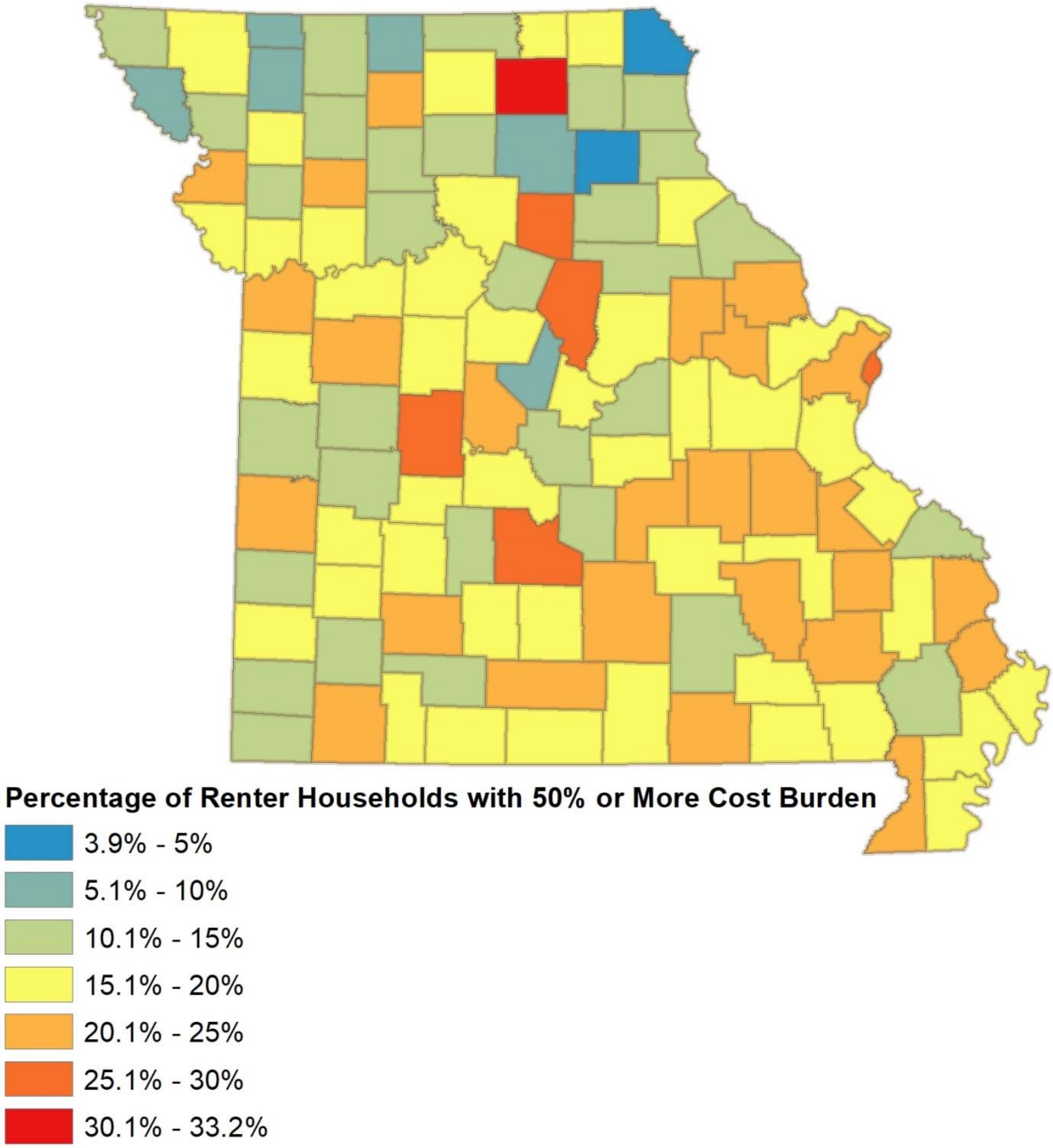
The five counties with the highest proportion of severely cost-burdened renter households are Adair (33.2%), Bollinger (27.9%), Benton (27.9%), Boone (27.2%), and Laclede (25.8%). Of these counties, all but Bollinger is home to one or more colleges or universities. The presence of student households in these counties has an impact on the proportion of severely cost-burdened households[20]. Another factor contributing to higher rates of severe cost burden in

[20]Market analysis and decision making in counties with high numbers of college/university students must include careful consideration of the fact that full-time students are not permitted as LIHTC tenants.

college towns is the presence of relatively large numbers of low-wage service sector jobs such as food service, hospitality industry jobs such as housekeeping and front desk clerk, retail store clerks, and others often found in higher proportions in college towns.

Map 1 illustrates the geographic distribution of severe housing cost burden among Missouri renters.

Map 1. Renter Households With Severe Cost Burden as a percentage of All Renter Households, 2017



Data source: American Community Survey, 2013-2017 5-Year Estimates

SEVERE HOUSING COST BURDEN AMONG ELI RENTER HOUSEHOLDS

Table 2 provides information on severe housing cost burden among ELI renters. This information is organized by Metropolitan Statistical Area (MSA) and non-MSA regions of the state due to certain geographic limitations in American Community Survey (ACS) income data that prevent the calculation of renter cost burden specific to ELI households at the county level.

As with other states, MSAs, and non-metropolitan areas throughout the country, the majority of ELI renters are severely cost burdened. Only one group of counties within Missouri have a ELI renter severe cost burden rate less than 50%: Lawrence, Henry, Vernon, Cedar, Barton, St. Clair, and Dade Counties, although the figure is still relatively high (45.35%).

The highest proportion of severely cost burdened ELI renters is found in the Springfield MSA, with 71.97% of ELI renter households falling into this category. Eight areas have rates below Springfield but above 60% of ELI renter households: Pettis, Randolph, Saline, Cooper, Howard, Carroll, and Chariton Counties (67.32%), Columbia MSA (66.98%), Joplin MSA (65.90%), St. Louis MSA (64.81%), St. Francois, Washington, Perry and St. Genevieve Counties (63.69%), Kansas City MSA (63.59%), Phelps, Crawford, Dent, Gasconade, and Maries Counties (63.05%), and Cape Girardeau MSA (62.84%).

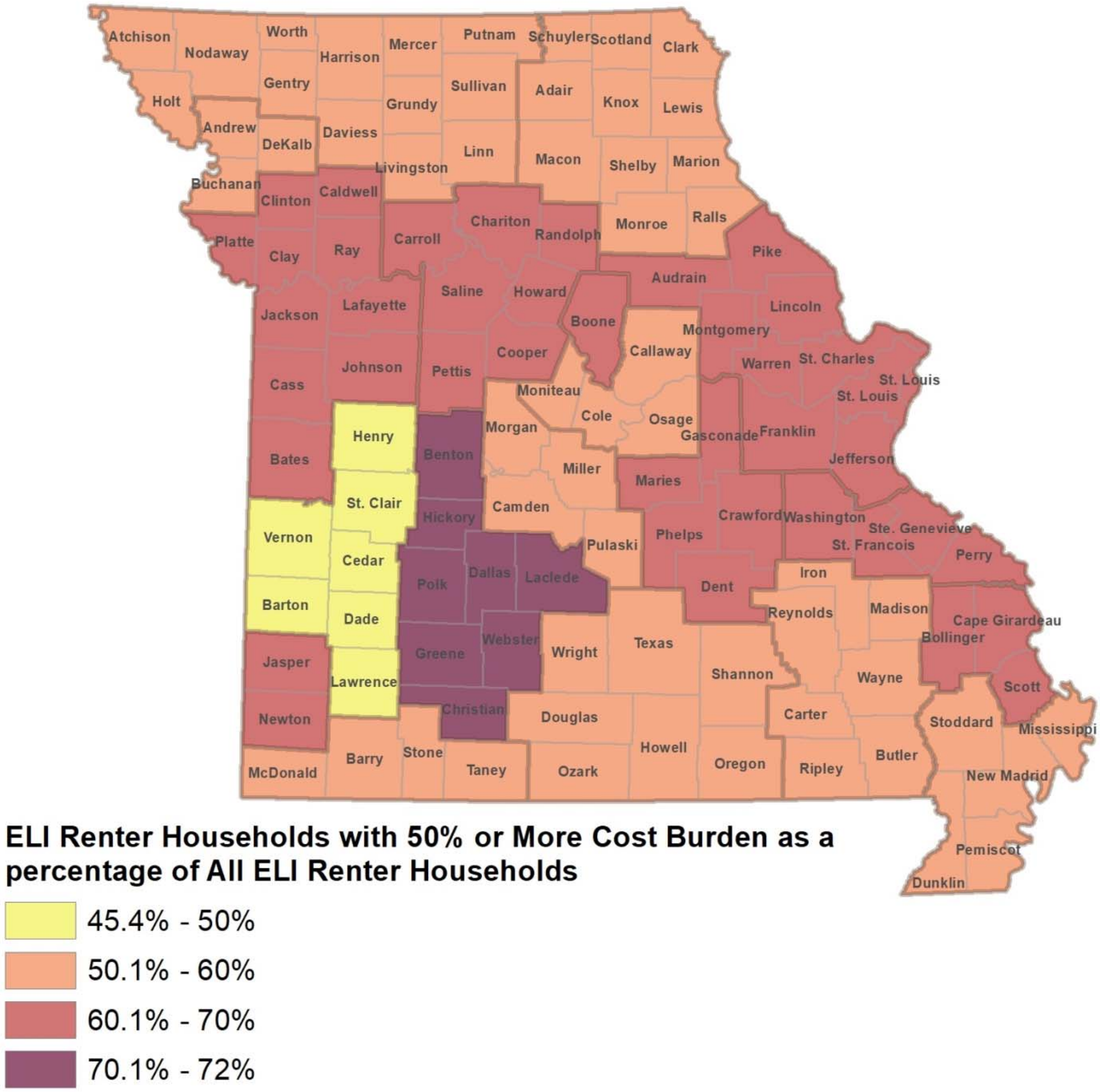
Map 2 illustrates the geographic distribution of severe cost burden among Missouri's ELI renter households.

Table 2. Extremely Low Income Renter Households With Severe Cost Burden, 2017

Area	ELI Renters Severe CB	All Renters Severe CB	% All Renters Severe CB	All ELI Renters	% ELI Renters	All Renters	% All Renters
Cape Girardeau, MO-IL (MSA) plus Scott (Sikeston, Micro)	2,349	3,053	76.94%	3,738	62.84%	15,825	14.84%
Columbia, MO (MSA)	7,087	8,599	82.42%	10,581	66.98%	31,418	22.56%
Fayetteville-Springdale-Rogers, AR-MO (MSA)	1,616	3,111	51.94%	2,720	59.41%	17,750	9.10%
Jefferson City, MO (MSA)	2,267	2,568	88.28%	4,469	50.73%	16,834	13.47%
Joplin, MO (MSA)	3,129	4,450	70.31%	4,748	65.90%	22,888	13.67%
Kansas City, MO-KS (MSA) plus Johnston (Warrensburg, Micro)	27,055	37,181	72.77%	42,549	63.59%	187,661	14.42%
St. Joseph, MO-KS (MSA)	1,995	2,600	76.73%	3,619	55.13%	14,731	13.54%
St. Louis, MO-IL (MSA) plus Audrain, Montgomery, & Pike	43,364	57,250	75.74%	66,908	64.81%	271,168	15.99%
Springfield, MO (MSA) plus Benton, Hickory, Laclede	11,457	16,320	70.20%	15,919	71.97%	74,822	15.31%
Northwest Missouri	1,717	2,156	79.64%	3,234	53.09%	13,291	12.92%
Northeast Missouri	2,238	2,720	82.28%	4,126	54.24%	15,063	14.86%
Pettis, Randolph, Saline, Cooper, Howard, Carroll & Chariton Counties	2,056	3,037	67.70%	3,054	67.32%	14,517	14.16%
Lawrence, Henry, Vernon, Cedar, Barton, St. Clair & Dade Counties	1,356	1,959	69.22%	2,990	45.35%	14,231	9.53%
Pulaski, Camden, Miller & Morgan Counties	1,489	2,200	67.68%	2,713	54.88%	15,617	9.53%
Phelps, Crawford, Dent, Gasconade & Maries Counties	2,220	2,978	74.55%	3,521	63.05%	14,065	15.78%
St. Francois, Washington, Perry & Ste. Genevieve Counties	1,607	2,253	71.33%	2,523	63.69%	13,030	12.33%
Dunklin, Stoddard, New Madrid, Pemiscot & Mississippi Counties	1,998	2,962	67.45%	3,773	52.96%	16,316	12.25%
Butler, Ripley, Wayne, Madison, Iron, Reynolds & Carter Counties	1,610	2,410	66.80%	2,855	56.39%	12,850	12.53%
Howell, Texas, Wright, Douglas, Oregon, Ozark & Shannon Counties	1,474	2,710	54.39%	2,777	53.08%	13,730	10.74%

Data source: Census American Community Survey 2013-2017 5-Year Estimates

Map 2. Extremely Low Income Renter Households With Severe Cost Burden as a percentage of All Extremely Low Income Renter Households, 2017



Data source: American Community Survey, 2013-2017 5-Year Estimates

AFFORDABLE AND AVAILABLE ELI UNITS

Analysis of the number of affordable units and renter households only tells part of the story. Many affordable units may be unavailable because they already have tenants. Further, some units may have tenants with incomes above a specific income group. Thus, analysis based on

both affordability and availability provides a more complete view for policy makers, decision makers, and housing stakeholders.[21]

Table 3 provides a statewide analysis of units affordable and available to ELI households.

Table 3. ELI: Affordable and Available Unit Analysis

Rental Households With 30% AMI or Less	186,817
Units Affordable & Available at 30% AMI or Less	58,835
Deficit of Affordable & Available Units at 30% AMI or Less	(127,982)

Data source: American Community Survey, 2013-2017 5-Year Estimates

Missouri has a deficit of nearly 128,000 rental units for ELI households. Another way of understanding the status of affordable and available units is to analyze them by units per 100 households. This figure is 31 out of 100 for ELI households. In other words, there are no affordable and available rental units for 69 out of every 100 ELI renter households in Missouri.

[21] Carpenter, Ann, Douglas White, and Mary Hirt, "Rental Housing Affordability in the Southeast: Data from the Sixth District," Atlanta, GA: Federal Reserve Bank of Atlanta, Community and Economic Development Discussion Paper No. 02-18, July 2018. https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2018/02-rental-housing-affordability-in-the-southeast-2018-07-19.pdf.

STAKEHOLDER PERSPECTIVES

Eight stakeholder meetings were held during the preparation of this Strategic Plan. Meetings were held in Kansas City, St. Louis, and via webinar. Table 4 shows primary stakeholder groups for each meeting, as well as meeting dates and locations.

Table 4. Affordable Housing Stakeholder Meetings

Audience	Date	Time	Location
Missouri Workforce Housing Association (MOWHA)	11/7/19	10:00-11:30 am	University of Missouri-Kansas City
General Stakeholders (Webinar)	12/5/19	10:00-11:30 am	Webinar
Public Housing Authorities	12/11/19	3:30-5:00 pm	Kauffman Conference Center, Kansas City
General Stakeholders	12/13/19	3:00-4:30 pm	Kaufman Conference Center, Kansas City
Tax Credit Syndicators	1/9/20	10:00-11:30 am	MHDC Conference Room, St. Louis
Missouri Workforce Housing Association (MOWHA)	1/9/20	2:00-3:30 pm	US Bank Plaza Auditorium, St. Louis
Public Housing Authorities	1/10/20	10:00-11:30 am	US Bank Plaza Auditorium, St. Louis
General Stakeholders	1/10/20	2:00-3:30 pm	US Bank Plaza Auditorium, St. Louis

Stakeholder meetings were facilitated by Dr. Anne Williamson, Director of the L.P. Cookingham Institute of Urban Affairs and Victor and Caroline Schutte/Missouri Professor of Urban Affairs at the University of Missouri-Kansas City. Meetings were crafted to foster a dialogue about affordable housing need in Missouri, including discussion of potential solutions. MHDC representatives were present at each meeting.

A series of four open-ended questions were discussed in these sessions:[22]

1. What can you tell us about affordable housing need in our state?
2. What suggestions do you have for addressing affordable housing need in Missouri?
3. Missouri's 2019 Qualified Allocation Plan is the first time scoring has been used to guide project selection.
   a. What are the things you feel should have the most weight in scoring?
   b. Is there any other feedback you'd like to give us about scoring?
4. Have you experienced or observed any fair housing or housing discrimination issues in the last 12 months? If so, please tell us about what you have experienced or observed.

All stakeholder input was given careful consideration during the process of preparing this Strategic Plan. Stakeholder input is presented below organized by major themes that emerged through public dialogue.

The Need for Affordable Housing in Missouri

Stakeholder comments in response to the question, "What can you tell us about affordable housing need in our state?" included discussion of a number of issues:

- Missouri Low Income Housing Tax Credit
- Preservation and rehabilitation of existing affordable housing
- Wage stagnation
- Rural-urban distinctions
- Public perceptions about affordable housing and NIMBYism[23]
- Housing Choice Voucher (HCV)[24] effectiveness
- Construction and land costs

[22] The fourth question was added after the November 7, 2019 stakeholders' meeting. Thus, the November 7 meeting included only the first three questions.

[23] Not in My Back Yard (NIMBY) objections to affordable housing

[24] Formerly known as Section 8 Voucher and Certificates programs

MISSOURI LOW INCOME HOUSING TAX CREDIT

The federal Low Income Housing Tax Credit (LIHTC) program is a shallow subsidy, and the shallow nature of this subsidy can pose challenges for creating housing opportunities throughout a state with many rural areas and small communities. The Missouri Low Income Housing Tax Credit (MOLIHTC) was introduced in 1990 as a means to make affordable housing development financially feasible in all regions of the state, including rural areas.

No MOLIHTC funds have been awarded since 2017. Many stakeholders feel that the federal subsidy alone is not enough to provide for the affordable housing needs of Missouri. There was a consensus among meeting attendees that bringing back the state housing tax credit would help to expand the stock of affordable housing. The absence of MOLIHTC awards since 2017, coupled with uncertainty about the future of the state tax credit, was viewed as putting pressure on the state's ability to effectively implement the federal LIHTC. This concern and the belief that state housing tax credits offer a solution was mentioned at most of the stakeholder meetings.[25]

PRESERVATION AND REHABILITATION OF EXISTING AFFORDABLE HOUSING

Stakeholders expressed concern over the lack of available affordable housing in Missouri. More specifically, meeting participants spoke about properties that have either aged out or will soon age out of the minimum 15-year affordability period. Stakeholders expressed a desire for MHDC to notify stakeholders before existing housing goes "offline."

Moreover, some stakeholders also noted that some LIHTC properties still within their period of affordability may require rehabilitation. Many stakeholders favored increased funding to address rehabilitation needs. Many also agreed that funding minor repairs and working to

[25] The MOLIHTC was mentioned in six of eight stakeholder meetings.

preserve existing housing should be a priority for MHDC, particularly as affordable units continue to age and fall into disrepair.

WAGE STAGNATION

Several stakeholders mentioned that affordable housing issues cannot be solved without first tackling rising income inequality. Rising income inequality affects a variety of issues including social services, education, and healthcare. All of these issues are connected and exist throughout the U.S. Wage stagnation over the last 30 years is a root cause of rising income inequality.

RURAL-URBAN DISTINCTIONS

Many also expressed concern about differences between rural and urban housing needs within Missouri. While developments in urban areas such as Kansas City and St. Louis tend to receive considerable attention and consideration, rural affordable housing projects are not perceived to be a priority, despite 48% of MHDC allocations going to out-state areas. Neosho was an example provided during one stakeholder meeting. Concern was expressed that there are reportedly 112 LIHTC units set to expire in Neosho with no replacement in place. Further, affordable housing in rural areas must be developed to meet the needs of the community in which it is being built. Many rural areas are predominantly single-family properties. As a result, a proposed LIHTC apartment community similar to those built in urban areas could face community backlash. Area dissimilarities have led many to conclude that a “one size fits all” approach will not suffice.

PUBLIC PERCEPTIONS ABOUT AFFORDABLE HOUSING AND NIMBYISM

NIMBYism (Not-In-My-Backyard) was mentioned in almost every meeting as a significant obstacle to affordable housing across Missouri. Additionally, communities often hold preconceived notions about which populations are most in need and deserving of assistance. These issues combine to create significant barriers to affordable housing production. Many different types of populations need affordable housing in Missouri, and many stakeholders

want that to be acknowledged. There is a strong desire to change the public's perception of what affordable housing looks like and who lives in affordable housing. (For instance, most modern LIHTC developments are indistinguishable from market rate properties based on appearance and amenities). One way to address this stigma is through an education campaign.

VOUCHER EFFECTIVENESS

Several stakeholders also expressed concern regarding the effectiveness of Housing Choice Vouchers in Missouri. For example, many who receive vouchers in St. Charles County are often unable to find housing that meets federal Housing Quality Standards (HQS) and rent ceilings, resulting in their underutilization. For these reasons, individuals and families receiving vouchers cannot be considered housed at the point of distribution. Other stakeholders, however, stated that they experienced no issues with the Housing Choice Voucher system and that they preferred this platform for delivering affordable housing opportunities.

CONSTRUCTION AND LAND COSTS

Some stakeholders find construction and land costs to be prohibitive to affordable housing development. A common observation is that developers cannot make money building affordable housing, so they are not doing it. An affordable housing advocate in the nonprofit sector stated that construction costs and land costs are "too high." Costs are even higher for high opportunity areas with good schools, adequate transportation, and amenities, and those expenses are steadily increasing.

MISSOURI QUALIFIED ALLOCATION PLAN SCORING

Stakeholders who attended the meetings and webinar hosted by the Cookingham Institute were also asked what scoring criteria they felt should have the most weight in Missouri's Qualified Allocation Plan (QAP). Some stakeholders expressed the desirability of creating preferences for developments serving communities with the highest proportions of poverty and/or homelessness.

Many stakeholders thought it was important that the QAP not reward a “race to the bottom” by awarding higher scores to projects simply because they had the lowest construction costs or the most units, as funding such developments may lead to unintended consequences. For example, the lowest-cost developments may also use the worst quality materials, while the developments with the largest number of units may offer significantly less space to tenants. Several stakeholders also expressed a concern that the current QAP scoring criteria favored developments in urban areas by awarding points for criteria that are difficult to meet in rural areas, such as proximity to public transportation or a grocery store.

Additionally, stakeholders expressed a desire for the QAP to reward proposed developments offering social services to marginalized groups, such as senior citizens and people with disabilities. No specific criteria for social services were mentioned, but some suggested developments with permanent supportive housing services. Others, however, were concerned that if developments targeting seniors and those with disabilities are prioritized, adequate housing for working families will not be developed. They argued that developers already prefer senior affordable housing developments to those for families because seniors are the more “politically safe” option (e.g., NIMBY problems are less likely). In order to address this, stakeholders suggested a broadened definition of vulnerable populations including those who are medically fragile, LGBTQ+ individuals, those who were formerly incarcerated, families with incarcerated parents, those who have experienced domestic violence, and young adults exiting foster care, in addition to those covered by the existing definitions for special needs and vulnerable populations. Ultimately, stakeholders agreed that the best way to meet the needs of a given community is making development decisions based on a needs assessment and supporting market study.

Finally, other suggested scoring criteria included points for a history of good property management and for properties that engage in income averaging among units to assist in combating NIMBYism. Despite earlier critiques of lowest cost as a scoring criterion, some recommended the criterion be used in instances of tiebreakers, along with the criteria of regional set-asides and proximity to the nearest tax credit development.

Affordable Housing Strategies

AFFORDABLE HOUSING STRATEGIES

Recommended affordable housing strategic priorities were designed based on quantitative analysis of Missouri's most urgent housing needs and extensive stakeholder input.

STRATEGIC PRIORITY 1: ELI PRODUCTION AND PRESERVATION

The unmet need for housing opportunities affordable at the 30% AMI or below level (ELI) is high. ELI units are necessary for members of the workforce, seniors, veterans, persons with disabilities, and other special needs and vulnerable populations. Therefore, it is recommended that MHDC explore fostering the creation of new ELI housing units and stimulate the preservation of existing ELI units.

While the need for increased housing affordable to ELI Missourians is clear, the federal LIHTC was not designed to reach this income group. Additional subsidy is often required to create or preserve units at the ELI level. It is recommended that MHDC explore the use of HOME funds to make ELI production and preservation feasible. Further, it is recommended that projects incorporating locally administered HOME funds be given selection preference as a means to make the state's allocation of HOME funds stretch further.

STRATEGIC PRIORITY 2: SPECIAL NEEDS AND VULNERABLE POPULATIONS

Missouri has already shown its commitment to housing for special needs and vulnerable populations. It is recommended that MHDC explore ways to strengthen this commitment such as creating separate scoring categories (and/or set-asides) for permanent supportive housing and other housing options for these groups.

Further, it is recommended that MHDC explore the use of scoring criteria to incentivize developments intended to serve the general low-income population (e.g., workforce or family housing developments) that include a specified percentage of units for special needs and/or vulnerable populations. The practice of creating special needs and vulnerable population units

within a workforce or family housing development is consistent with modern practices that help to integrate special needs/vulnerable households into mainstream housing communities.

Special needs and vulnerable populations typically require housing units with income restrictions at or below 30% AMI. It is recommended that MHDC explore the use of HOME funds to supplement LIHTC funding as a means to make special needs and vulnerable population housing financially feasible. Further, it is recommended that MHDC explore how greater collaboration with state agencies serving special needs and vulnerable populations might make available funding for social services for specific developments.

STRATEGIC PRIORITY 3: RURAL HOUSING

Selection criteria often used by state housing finance agencies include preferences based on proximity to services and amenities such as public transportation, jobs, health care, and others. Missouri has followed this practice. While these preferences are based on sound reasoning and are viable for developments in metropolitan areas, applications for rural developments may be disadvantaged with regard to these preferences.

It is recommended that MHDC create a separate competitive pool for rural developments. The rural pool will include many of the same requirements used for metropolitan areas such as overall housing quality, but it would omit scoring based on proximity to certain services and amenities. The separate rural competitive pool should be based on population and include non-urban areas of Cape Girardeau, Columbia, St. Joseph, and Springfield.

Because affordable housing in rural areas often faces financial feasibility issues when development relies on the federal LIHTC alone, it is recommended that MHDC explore making available HOME funds as a subsidy layer on an as-needed basis.

Further, it is recommended that MHDC explore the desirability of creating incentives for rural housing designed to address stakeholder concerns with strong preferences for single-family development in rural areas. While single-family rental development may be useful for the purpose of combating NIMBYism, it may not be financially feasible. Thus, it is recommended that MHDC examine whether innovations in rental housing design such as one-story, villa-style

housing in rural areas could be a means of balancing local preferences for single-family housing units with cost considerations.

STRATEGIC PRIORITY 4: AFFORDABLE HOUSING LINKED WITH ECONOMIC DEVELOPMENT

It is recommended that MHDC explore the use of scoring criteria to foster affordable housing development specifically linked with economic development. This would link state economic development efforts with workforce housing. Income targeting in such developments would be reflective of the range of incomes expected in jobs arising from economic development efforts.

STRATEGIC PRIORITY 5: IMPLEMENTATION PRACTICES IN SUPPORT OF THE STRATEGIC PLAN

A strategic plan is only as good as the work undertaken to implement it. Therefore, it is recommended that MHDC adopt a set of implementation practices specifically designed to support the priorities described in the *Five-Year Affordable Housing Strategic Plan for the State of Missouri*.

Recommended implementation practices include:

1. Use the 2020 Missouri QAP as an interim step that allows the gradual adoption of new strategic priorities and move to more complete coverage of strategic priorities in 2021. Introduce a 2-year QAP system beginning in 2021.
2. Retain the 2019 QAP scoring criteria in the 2020 QAP. Consider minor revisions supported by this Strategic Plan for the 2020 QAP scoring criteria. Consider additional revisions for the 2021 QAP based on the annual assessment recommended in paragraph 4 below.
3. Review market analysis requirements for accurate assessment of housing need.
4. Prepare an annual assessment of how projects funded during the most recent competitive round impact housing need in Missouri, including a report on progress in achieving affordable housing strategic priorities.

5. Review of current actual rent structures to provide analytical support for MHDC decisions about requests for rent increases.
6. Build on current working relationships with Missouri's public housing authorities to foster production and preservation of ELI and special needs/vulnerable population housing.
7. Build on the existing working relationship with the Missouri Workforce Housing Association (MOWHA) to create innovative solutions for production and preservation of ELI units.
8. Convene a working group with entitlement community representatives to improve coordination of the use of federal block grant funds as subsidy layers that make possible housing for ELI and special needs/vulnerable populations.
9. Build on current working relationships with nonprofit organizations serving special needs and vulnerable populations to create increased housing opportunities for these groups.
10. Continue dialogues on affordable housing need and solutions with stakeholders.

APPENDIX: RESEARCH METHODS

AFFORDABLE HOUSING SUPPLY DATA

The supply of rental housing affordable to Extremely Low Income (ELI; income at or below 30% Area Median Income) tenants was analyzed using (1) Missouri Housing Development Commission (MHDC) data on properties in an active period of affordability funded in whole or in part by MHDC; and (2) data published by the U.S. Department of Housing and Urban Development (HUD) in its *Picture of Subsidized Housing* series. *Picture of Subsidized Housing* data include properties developed under a number of federal housing programs, including Section 236, Section New Construction & Substantial Rehabilitation, and Public Housing.

NUMBER OF HOUSEHOLDS AND INCOME DATA

Household and income data used in the analysis comes from the 2017 American Community Survey (ACS) Five Year Public Use Microdata (PUMS) files. The ACS is the yearly population and housing survey that has replaced the long form on the Decennial Census. The ACS surveys approximately 3.5 million people per year and provides relatively current information on housing and population trends.

The Census releases the ACS data in prepared tables that describe population and housing data at multiple geographical units, i.e. national, state level, county level and sub-county level. While these tables are useful, they cannot be customized by the user. Therefore, the Census also releases the ACS data in a format that can be customized by the user. This release is the Public Use Microdata (PUMS). The advantage to the PUMS data is the ability to create customized crosstabs, but this flexibility comes at a cost. In order to protect privacy, the Census releases this data in what are called Public Use Microdata Areas (PUMAs). The PUMAs contain at least 100,000 people and are contained within a state; however, they do not necessarily match other Census geographies. In order to get the required 100,000 people, PUMAs will combine multiple tracts, counties, and even split counties depending on the state and its

population density. The fact that PUMA geography is different than the standard Census Tract, County and Metropolitan Statistical Areas (MSAs) routinely used by the Census means that it's not always possible to recreate these common Census boundaries.

Since the goal of the study is to measure housing affordability and availability mimicking the U.S. Department of Housing and Urban Development's methodology for calculating area median income, household size adjusted income, and bedroom size adjusted rent, we need to be able to place renters in the appropriate MSA. Therefore, the first step is to recreate the appropriate Metropolitan Statistical Area and Micropolitan Statistical Areas for the state of Missouri by combining the individual PUMAs. Where possible the best approach for recreating the MSAs is to first create the individual counties in each state and then combine those counties to form the MSA. Again, while it is possible to create many of the MSAs exactly, often the difference between the PUMs geography and the standard Census geography is going to require MSA approximations with either the addition or subtraction of certain counties. Often in rural areas, because of low population, many counties will be combined and thus MSA and or Micro areas will need to be combined.

Table 6 shows the counties that should be in each MSA and the PUMA- created MSAs used in this analysis. In this table the first column is the actual Census name of the MSA or Micropolitan Statistical Area, and column two is the county or counties that make it up. Due to the geographical limitations of the PUMAs, we are not able to reproduce column 2 exactly. After combining PUMAs to create the MSA, column 3 shows which counties end up in our constructed MSA. Column 4 is just the name we use to refer to this new constructed MSA.

The next step in the analysis is to calculate the PUMA created MSA's area median income (AMI). The AMI is going to be used to calculate what income group the renters fall into as well as determine the appropriate bedroom adjusted affordable rent. The AMI is calculated only using family households and averaging their ACS reported income across the MSA. Only using families instead of households mirrors HUDs approach to calculating the AMI. Since the MSAs we create do not necessarily match the Census MSAs, we need to make sure the found AMIs are reasonable. To check the AMIs, compare the underlying counties that make up the MSA to

their reported AMI from HUD. Often these AMIs will be similar, and therefore useable. However, sometimes you will find AMIs that are different enough to recommend further investigation. If multiple PUMAs make up the MSA, AMI results closer to HUD's AMI might be obtained by running combinations of the underlying PUMAs. Table 5 shows an example of this. To create the Springfield, MO (Metropolitan Statistical Area) requires PUMAs 1300, 2601, 2602, and 2603. The calculated AMI for this MSA is found to be $56,609. When this value is compared to the AMI for underlying counties, it appears to be too high for many of them. If the MSA AMI is found by running PUMA 2601, 2602 and 2603 together and 1300 on its own, the calculated MSA AMI better matches the underlying counties. As shown in Table 5, no matter what combination is used, it is not always possible to eliminate differences between the HUD AMI and calculated AMI.

Table 5. Springfield, MO (Metropolitan Statistical Area) AMI Comparison

County	PUMA	2017 HUD AMI	2017 ACS Calculated AMI	2017 ACS Calculated Combining PUMA 2601,2602 & 2603
Benton MO	1300	$43,300	$56,609	$48,320
Dallas MO	1300	$42,900	$56,609	$48,320
Hickory MO	1300	$39,500	$56,609	$48,320
Laclede MO	1300	$45,600	$56,609	$48,320
Polk MO	1300	$49,400	$56,609	$48,320
Christian MO	2601	$56,900	$56,609	$59,053
Greene MO	2601	$56,900	$56,609	$59,053
Webster MO	2601	$56,900	$56,609	$59,053
Greene MO	2602	$56,900	$56,609	$59,053
Greene MO	2603	$56,900	$56,609	$59,053

Now that the MSA area median income has been found, we use this AMI to place the renter household in the appropriate income category. There is one twist to placing the renter into the correct income category, and that is to adjust the renter's income based on household size. This approach matches HUD, and sets the AMI as the 4-person household AMI. The AMI is adjusted

down for households with less than 4 people and adjusted upward for households with more than 4 people. The adjustments are as follows: 1 person is 70% of the AMI, 2 people are 80% of the AMI, 3 people are 90% of the AMI, 5 people are 109% of the AMI, 6 people are 116% of the AMI, and 7 people are 124% of the AMI.

Using the reported ACS household income and the ACS reported number of people in the household, we can now place renters in the appropriate income category by dividing their reported income by the household size appropriate AMI. Renters are placed in the following income categories: extremely low income (ELI) 0-30% of AMI, very low income (VLI) 31-50% of AMI, low income 51-80% of AMI, moderate income 81-120% of AMI, and above moderate income greater than 120% of AMI.

HUD has developed a formula that gives the income needed to rent based on the number of bedrooms and the MSA AMI. We now use HUDs formula and our calculated AMI to calculate the income needed to rent and place those units into the appropriate affordability categories. First, we need to find the bedroom weighted income needed. That's done using ACS reported number of bedrooms and the following weights:

0 Bedrooms: Income needed is 70% of AMI

1 Bedroom: Income needed is 75% of AMI

2 Bedrooms: Income needed is 90% of AMI

3 Bedrooms: Income needed is 104% of AMI

4 Bedrooms: Income needed is 116% of AMI

5 Bedrooms: Income needed is 128% of AMI

6 Bedrooms: Income needed is 140% of AMI

7 Bedrooms: Income needed is 140+(12* (bedrooms-6))% of AMI

Using the ACS data, we can now calculate whether a unit is affordable. We do this calculation by comparing the sum of the ACS reported rent costs, electric costs, fuel costs, gas costs, and water costs to the appropriate bedroom weighted income needed. We also assume that these summed costs cannot be more than 30% of the renter's income. This allows us to place the unit

in one of the following categories: affordable at 30% of AMI, affordable at 50% of AMI, or affordable at 80% of AMI

We now have renters and rental units in their appropriate AMI category. Comparing the number of renters to number of rental units in each of the above affordability categories tells us whether there is a surplus or shortage of affordable units for that income category. This shortage of units is often referred to as the housing gap. The analysis goes one step farther in measuring affordability. If we had perfect sorting in the market, renters would only rent units corresponding to their income level, i.e. renters with 30% or less AMI would rent units affordable at 30% of AMI, renters with 50% AMI would rent units affordable at 50% AMI, etc. However, renters often rent down, i.e. a renter with 80% AMI rents a unit that's affordable at 50% or a renter with 50% AMI rents a unit affordable at 30% AMI, etc. While this might make financial sense for the higher income renter by saving money on rent, they are taking that lower income unit away from a renter with low income. Therefore we need to measure the rental units that are occupied by rental households with the appropriate income level for that unit. We now compare the rental units in the ACS by looking at both the appropriate affordability level of the unit and the ACS reported renter household income. Those units occupied by households with the appropriate income are considered available. Now comparing the number of renters with the available units gives a truer count of the housing gap in that market.

Table 6. Census and Constructed MSAs Missouri

Census Name for the Metropolitan & Micropolitan Statistical Area	Actual Counties in MSA	Counties in PUMA Constructed MSA	ACS MSA Name
Cape Girardeau, MO-IL (Metropolitan Statistical Area) Sikeston, MO (Micropolitan Statistical Area)	Bollinger, MO Cape Girardeau, MO Scott MO	Bollinger MO Cape Girardeau MO Scott MO	Cape Girardeau, MO-IL (Metropolitan Statistical Area) plus Scott (Sikeston, Micro)
Columbia, MO (Metropolitan Statistical Area)	Boone, MO	Boone MO	Columbia, MO (Metropolitan Statistical Area)
Fayetteville-Springdale-Rogers, AR-MO (Metropolitan Statistical Area)	McDonald, MO	McDonald MO Barry MO Stone MO Taney MO Callaway MO	Fayetteville-Springdale-Rogers, AR-MO (Metropolitan Statistical Area)
Jefferson City, MO (Metropolitan Statistical Area)	Callaway, MO Cole, MO Moniteau, MO Osage, MO	Cole MO Moniteau MO Osage MO	Jefferson City, MO (Metropolitan Statistical Area)
Joplin, MO (Metropolitan Statistical Area)	Jasper, MO Newton, MO	Jasper MO Newton MO	Joplin, MO (Metropolitan Statistical Area)
Kansas City, MO-KS (Metropolitan Statistical Area) Warrensburg, MO (Micropolitan Statistical Area)	Bates, MO Caldwell, MO Cass, MO Clay, MO Clinton, MO Jackson, MO Lafayette, MO Platte, MO Ray, MO Johnson, MO	Bates MO Caldwell MO Cass MO Clay MO Clay MO Clay MO Clinton MO Jackson MO Johnson MO Lafayette MO Platte MO Ray MO	Kansas City, MO-KS (Metropolitan Statistical Area) plus Johnston (Warrensburg, Micro)
St. Joseph, MO-KS (Metropolitan Statistical Area)	Andrew, MO Buchanan, MO DeKalb, MO	Andrew MO Buchanan MO DeKalb MO	St. Joseph, MO-KS (Metropolitan Statistical Area)

Census Name for the Metropolitan & Micropolitan Statistical Area	Actual Counties in MSA	Counties in PUMA Constructed MSA	ACS MSA Name
St. Louis, MO-IL (Metropolitan Statistical Area) Mexico, MO (Micropolitan Statistical Area)	Franklin, MO Jefferson, MO Lincoln, MO St. Charles, MO St. Louis, MO Warren, MO St. Louis (Independent City), MO Audrain, MO	Audrain MO Franklin MO Jefferson MO Jefferson MO Lincoln MO Montgomery MO Pike MO St. Charles MO St. Louis MO Warren MO St. Louis city MO St. Louis city MO	St. Louis, MO-IL (Metropolitan Statistical Area) plus Audrain, Montgomery, & Pike
Springfield, MO (Metropolitan Statistical Area) Lebanon, MO (Micropolitan Statistical Area)	Christian, MO Dallas, MO Greene, MO Polk, MO Webster, MO Laclede, MO	Benton MO Christian MO Dallas MO Greene MO Hickory MO Laclede MO Polk MO Webster MO	Springfield, MO (Metropolitan Statistical Area) plus Benton, Hickory, Laclede
Maryville, MO (Micropolitan Statistical Area)	Nodaway, MO	Atchison MO Daviess MO Gentry MO Grundy MO Harrison MO Holt MO Linn MO Livingston MO Mercer MO Nodaway MO Putnam MO Sullivan MO Worth MO	Northwest Missouri

Census Name for the Metropolitan & Micropolitan Statistical Area	Actual Counties in MSA	Counties in PUMA Constructed MSA	ACS MSA Name
Fort Madison-Keokuk, IA-IL-MO (Micropolitan Statistical Area) Hannibal, MO (Micropolitan Statistical Area) Kirksville, MO (Micropolitan Statistical Area) Quincy, IL-MO (Micropolitan Statistical Area)	Clark, MO Marion, MO Ralls, MO Adair, MO Schuyler, MO Lewis, MO	Adair MO Clark MO Knox MO Lewis MO Macon MO Marion MO Monroe MO Ralls MO Schuyler MO Scotland MO Shelby MO	Northeast Missouri
Marshall, MO (Micropolitan Statistical Area) Moberly, MO (Micropolitan Statistical Area) Sedalia, MO (Micropolitan Statistical Area)	Saline, MO Randolph, MO Pettis, MO	Carroll MO Chariton MO Cooper MO Howard MO Pettis MO Randolph MO Saline MO	Pettis, Randolph, Saline, Cooper, Howard, Carroll & Chariton Counties
		Barton MO Cedar MO Dade MO Henry MO Lawrence MO St. Clair MO Vernon MO Camden MO Miller MO Morgan MO Pulaski MO	Lawrence, Henry, Vernon, Cedar, Barton, St. Clair & Dade Counties
Fort Leonard Wood, MO (Micropolitan Statistical Area)	Pulaski, MO		Pulaski, Camden, Miller & Morgan Counties

Census Name for the Metropolitan & Micropolitan Statistical Area	Actual Counties in MSA	Counties in PUMA Constructed MSA	ACS MSA Name
		Crawford MO Dent MO Gasconade MO Maries MO Phelps MO	Phelps, Crawford, Dent, Gasconade & Maries Counties
Rolla, MO (Micropolitan Statistical Area)	Phelps, MO	Perry MO Ste. Genevieve MO St. Francois MO Washington MO	St. Francois, Washington, Perry & Ste. Genevieve Counties
Kennett, MO (Micropolitan Statistical Area)	Dunklin, MO	Dunklin MO Mississippi MO New Madrid MO Pemiscot MO Stoddard MO	Dunklin, Stoddard, New Madrid, Pemiscot & Mississippi Counties
Poplar Bluff, MO (Micropolitan Statistical Area)	Butler, MO	Butler MO Carter MO Iron MO Madison MO Reynolds MO Ripley MO Wayne MO	Butler, Ripley, Wayne, Madison, Iron, Reynolds & Carter Counties
West Plains, MO (Micropolitan Statistical Area)	Howell, MO	Douglas MO Howell MO Oregon MO Ozark MO Shannon MO Texas MO Wright MO	Howell, Texas, Wright, Douglas, Oregon, Ozark & Shannon Counties

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